

BEFORE  
THE PUBLIC SERVICE COMMISSION OF  
SOUTH CAROLINA  
DOCKET NO. 2002-327-E - ORDER NO. 2002-754  
OCTOBER 25, 2002

IN RE: Application of South Carolina Electric & Gas ) ORDER AUTHORIZING  
Company for Authority to Refinance ) REFINANCING AND  
Pollution Control and Solid Waste Disposal ) ISSUANCE OF BONDS  
Revenue Bonds and to Borrow Proceeds of )  
Industrial Revenue Bonds )

This matter comes before the Public Service Commission of South Carolina (the "Commission") by way of an Application to issue securities filed on October 8, 2002, by South Carolina Electric & Gas Company (the "Company" or "SCE&G"). The Application was filed pursuant to S.C. Code Ann. §58-27-1710 (1976).

SCE&G proposes to enter into a Loan Agreement in substantially the form attached as Exhibit A of the Application (the "Loan Agreement"), with respect to the issuance by the South Carolina Jobs-Economic Development Authority (the "Authority") of not exceeding One Hundred Fifty Million Dollars (\$150,000,000) principal amount of its industrial revenue bonds (the "Bonds") to refinance the Prior Bonds (as defined herein), to defray the costs of the Projects (as defined herein) and to enter into the transactions described in this Order, including but not limited to the Applicant's possible issuance and deposit with a corporate trustee (the "Trustee") of its First Mortgage Bonds (the "Pledged First Mortgage Bonds") issued pursuant to Applicant's Indenture dated as of April 1, 1993, as supplemented (the "New Indenture") between SCE&G

and The Bank of New York, successor to NationsBank of Georgia, N.A., as trustee (the "New Trustee"), as security for the Bonds.

The Bonds may be sold on the general credit of the Company or as secured by a pledge to the Trustee of an equal principal amount of the Pledged First Mortgage Bonds issued under the New Indenture. If issued as security for the Bonds, the Pledged First Mortgage Bonds will be secured primarily by (i) a like principal amount of First and Refunding Mortgage Bonds (the "Class A Bonds") issued under the Indenture dated as of January 1, 1945, as amended and supplemented (the "Class A Indenture"), between the Company and JPMorgan Chase Bank, successor to Central Hanover Bank & Trust Company, as trustee, delivered to the New Trustee and designated as the basis for the issuance of the Pledged First Mortgage Bonds under the terms of the New Indenture, and (ii) the lien of the New Indenture upon substantially all of the electrical generation, transmission and distribution properties of SCE&G described in the granting clauses of the New Indenture, which lien is junior to the lien of the Class A Indenture.

The terms of the Bonds will be negotiated and the Bonds will have such call and redemption provisions as may be determined at the time of sale of the Bonds. At each issuance of Pledged First Mortgage Bonds, SCE&G will designate an equal principal amount of Class A Bonds held by the New Trustee as the basis for issuance for the Pledged First Mortgage Bonds. When all of the Class A Bonds outstanding under the Class A Indenture shall have been retired and the Class A Indenture shall have been cancelled, the lien of the New Indenture will then become a first lien upon the properties of SCE&G described in the granting clauses of the New Indenture. The Class A Bonds which will be initially designated as the basis for the issuance

of the Pledged First Mortgage Bonds have heretofore been deposited with the New Trustee as authorized by previous orders of this Commission.

As stated in the Application, the Company will use the net proceeds from the sale of the Bonds for the purpose of:

- (1) refinancing, if the Applicant determines that a savings will result from the refinancing, of one or more outstanding issues of revenue bonds or notes issued for the benefit of the Applicant as authorized by this Commission pursuant to the Orders listed as follows: \$4,365,000 principal amount Colleton and Dorchester Counties, South Carolina, Pollution Control Revenue Bonds (South Carolina Electric & Gas Company Project), Series 1987, authorized by this Commission in Order No. 87-908; \$56,820,000 principal amount Fairfield County, South Carolina, Pollution Control Revenue Bonds (South Carolina Electric & Gas Company Project), Series 1984; authorized by this Commission in Order No. 84-1029; \$1,090,000 principal amount Fairfield County, South Carolina, Pollution Control Revenue Bonds (South Carolina Electric & Gas Project), Series 1986, authorized by the Commission in Order No. 86-636; and \$30,000,000 principal amount Orangeburg County, South Carolina, Solid Waste Disposal Revenue Bonds (South Carolina Electric & Gas Company Project), Series 1994, authorized by this Commission in Order Nos. 94-1077 and 97-856 (collectively, the "Prior Bonds"); and
- (2) financing the acquisition, construction, and installation of certain pollution control facilities, consisting of waste ash collection and disposal facilities,

together with related improvements and machinery, apparatus, equipment, office facilities and furnishings to be installed therein (collectively, the "Projects"), in connection with the operation of the Applicant's Wateree and McMeekin generating plants located within Richland and Lexington Counties, respectively.

If Pledged First Mortgage Bonds are issued, the Class A Bonds issued as the basis thereof must meet the issuance tests of the Class A Indenture. None of the Class A Bonds deposited with the New Trustee may be sold or transferred to the public or any entity.

SCE&G plans to offer the Pledged First Mortgage Bonds either through underwriters or dealers, through agents, or directly to a limited number of purchasers or to a single purchaser.

SCE&G states that negotiations at market with the purchaser or purchasers, to be concluded shortly before the offering of the Bonds, will determine the interest rate to be borne by, the maturity date of, the initial offering price of, the price to be paid to SCE&G for, the call provisions of, any underwriting or purchase discount (i.e., the difference between the initial offering price and the price paid by the purchaser or underwriter to SCE&G) with respect to, and the redemption prices of the Bonds. Based on market conditions, SCE&G believes that the initial offering price usually will not be in excess of 115% of the principal amount of the Bonds, that any underwriting discount will not exceed 1% of the principal amount of the Bonds, and that the initial regular redemption price, if any, will not exceed 103% of the principal amount of the Bonds. SCE&G requests that it be authorized to negotiate the most favorable interest rate and terms obtainable with respect to the Bonds on the date the Bonds are priced including, if appropriate, terms, prices and redemption provisions appropriate for original discount securities

sometimes known as "zero coupon bonds." Sales of the Bonds will be made from time to time when market conditions, in the judgment of SCE&G, are favorable.

After investigation by the Commission Staff and upon full consideration by the Commission, the Commission is of the opinion, and so finds, that the matters set forth in the Application and the exhibits thereto are proper; that the purpose of the proposed issue of the Bonds and the Pledged First Mortgage Bonds and the Class A Bonds and the proposed use of the proceeds by the Company of the Bonds are proper; that the proposal to issue the Bonds, as market conditions appear favorable, is reasonable and proper; that the proposal to issue and deposit as security with the Trustee of the Pledged First Mortgage Bonds from time to time is reasonable and proper and that the proposed alternative methods of offering are proper. Finally, the Commission finds that the determination by SCE&G of the appropriate time or times to offer the Pledged First Mortgage Bonds is reasonable and proper.

IT IS THEREFORE ORDERED, ADJUDGED AND DECREED:

1. That SCE&G be, and it hereby is, authorized to refinance the Prior Bonds, if the Applicant determines that a savings will result from the refinancing, and finance all or a portion of the costs of the Projects through the borrowing by Applicant of the proceeds of the Bonds issued by the Authority in an amount not exceeding One Hundred Fifty Million Dollars (\$150,000,000), and negotiate, execute and deliver the Loan Agreement and a bond purchase or sales agreement in connection therewith.

2. That SCE&G be, and it hereby is, if determined in the judgment of SCE&G to be favorable, to issue and deposit with the Trustee, not exceeding One Hundred Fifty Million Dollars (\$150,000,000) principal amount of Pledged First Mortgage Bonds due not later than

thirty-five (35) years from the date of issue thereof, to be authenticated and issued on the basis of the designation of an equal principal amount of Class A Bonds issued pursuant to the New Indenture to and held by the New Trustee, at such price or prices, with such redemption provisions and at such interest rate or rates as may be negotiated with the purchaser or purchasers of the Bonds in connection with the offering thereof.

3. That SCE&G be, and it hereby is, authorized to use the net proceeds of the sale of the Bonds to refinance the Prior Bonds and finance the Projects.

4. That SCE&G file conformed copies of the Indenture, the Loan Agreement and the bond purchase agreement entered into in connection with the issuance of the Bonds, within thirty (30) days after closing the transaction related thereto, and such other information as may be required by provisions of Order No. 91-72, dated January 18, 1991, Docket No. 91-032-E.

5. Approval of the Application does not bind the Commission as to the ratemaking treatment of this issuance.

6. This Order shall not, in any way, affect or limit the right, duty, or jurisdiction of the Commission to further investigate and order revisions, modifications, or changes with respect to any provision of this Order in accordance with the law.

7. The Commission strongly encourages the Company to carry out the financial transactions in such a manner as to attempt to minimize possible negative impacts that could be harmful to ratepayers.

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8. That this Order shall remain in full force and effect until further Order of the Commission.

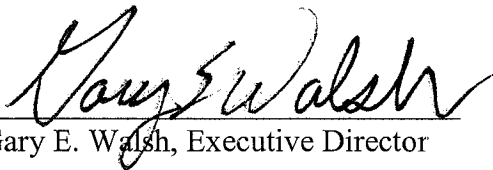
BY ORDER OF THE COMMISSION:



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Mignon L. Clyburn, Chairman

ATTEST:



Gary E. Walsh, Executive Director

(SEAL)